



U.S. Department  
of Transportation

**Federal Railroad  
Administration**

Office of the Administrator

400 Seventh St., S.W.  
Washington, D.C. 20590

**MAY - 4 1999**

The Honorable Linda J. Morgan  
Chairman  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423-0001

Dear Chairman Morgan:

Pursuant to the *Memorandum of Understanding Between the Surface Transportation Board (STB) and the Federal Railroad Administration (FRA)* dated May 19, 1998, FRA is forwarding its first biannual status report to the STB covering the safety integration of the Conrail merger (enclosed).

This report is dated May 4, 1999, and covers the period of FRA's surveillance of safety integration from July 23, 1998, (merger approval) through April 15, 1999. During this period the two acquirers of Conrail properties, Norfolk Southern Corporation (NS) and CSX Transportation, Incorporated (CSX) have been carrying out planned preparatory safety actions, but as yet have not taken major merger actions. NS and CSX moved the split date forward to June 1, 1999, I believe, based in part upon their commitment to addressing the complex issues involved in their Safety Integration Plans (SIPs). In addition to addressing the requirements of their SIPs, the two acquiring railroads and the Conrail Shared Assets Operations (CSAO) have been concentrating upon organizational structure, employee training and resource allocation, completing labor agreements and ensuring that the computer systems of all three entities and the acquired properties are compatible and operating effectively for the split date.

As stated in the report, "at this time there are no performance/safety conditions identified or foreseen by FRA on the NS, CSX, or CSAO acquired territories which the Agency believes warrant STB oversight actions to correct deficiencies and/or address safety problems arising out of approval of the merger and its ongoing integration." FRA will, however, continue its close and focused scrutiny of potential safety issues arising from the merger.

FRA identified early the safety issues inherent in a merger of this magnitude in proposing that SIPs be completed. As expressed by FRA in its October 21, 1997 filing, with the STB, *Safety Assessment of CSX/NS Proposed Acquisition of Conrail*, the safety issues and concerns that must be addressed by the acquirers of Conrail during the course of merger integration are highly complex and, heretofore, were not well defined. The FRA is committed fully to assuring the appropriate resolution of the many safety related facets of the merger: corporate culture, dispatching practices, compatibility of computer systems, retention of institutional knowledge and highly competent employees, training and certification of employees, compliance with operating rules, sufficient allocation of personnel, and employee rest and quality of life issues.

In addition to the formal SIP/Safety Merger Surveillance Program being carried out by FRA as identified in the report, I am personally making visits to Conrail sites to ascertain from municipalities, railroad front-line management and the railroad employees, first hand, how the merger is proceeding and their local concerns. On April 6, 1999, I convened a meeting of the senior operating officers of Conrail, CSX, NS, the major Western carriers (Burlington Northern Santa Fe, Union Pacific, Illinois Central and Wisconsin Central), as well as the major switching lines of the Chicago and St. Louis shipping gateways at FRA's Washington headquarters to review split date plans and assure the continued smooth flow of traffic through these vital shipping lanes.

A major split date operations strategy planning session was set by NS and CSX with the Western carriers and the Chicago and St. Louis belt line and switching carriers at Chicago on April 21-23, 1999. This is to ensure that shippers are receiving appropriate advance split date shipment handling instructions, computer information systems are functioning effectively and that new or modified operations are well defined so that service disruptions do not occur.

Since March, and to be continued throughout the split date period, FRA has initiated special "safety blitzes" incorporating up to 30-40 Operating Practices inspectors at a time and other safety officers to ascertain safety conditions and formulate mitigating measures for any safety issues that arise. Additionally, we plan to have a significant number of SIP Team and other safety officers stationed strategically at operating headquarters, dispatch centers, and customer service centers throughout CSX, NS and the Conrail acquired territories well in advance of and during the split date period.

The FRA will continue its close surveillance of the safety integration of the Conrail merger and will apprise STB of the status with its next regular biannual report and/or at any time that suspect deficiencies of major consequence arise.

The cooperation of the STB's staff with that of FRA has been welcomed for both the joint Safety Integration Plan (SIP) rulemaking and this very critical monitoring of the ongoing merger integration. With the merger split date fast approaching (June 1), I am confident that the deeply-rooted and long planned SIP safety actions of NS, CSX and the CSAO, as well as FRA's close surveillance and that of our joint regulatory efforts, will contribute significantly to a safe integration.

Sincerely,

***Original Signed May 4, 1999 by***

Jolene M. Molitoris  
Administrator

Enclosure